AMO REPORTS 83-14

RESPONSE TO THE HOUSING INITIATIVES CONTAINED IN THE 1983 ONTARIO BUDGET

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
AUGUST 1983

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ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total intergovernmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

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* Northern Ontario Section (FONOM/NOMA)
* Rural (ROMA) Section
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"AMO Reports 83-14" was submitted to the Honourable Claude Bennett, Minister of Municipal Affairs and Housing on September 13, 1983.

AMO Response to Rental Housing Initiatives
Contained in the 1983 Ontario Budget,
as announced, August 4, 1983

Introduction

The Association of Municipalities of Ontario (AMO) wishes to commend the Province of Ontario for its $25 million series of rental housing initiatives as announced by the Honourable Claude Bennett on August 4, 1983. These initiatives are aimed at encouraging the creative development of new housing and the preservation of existing accommodation. They should provide employment in the construction field and related industries. AMO supports these objectives and is pleased that the programs are intended to assist low and moderate income households.

A total of $40 million was designated for the construction of rental housing in the Ontario Budget, and AMO looks forward to being advised of how the remaining funds will be allocated. The Association is disappointed that such limited funding has been made available to housing programs and recognizes that although we are in a period of economic restraint, additional funding and housing programs are necessary to provide affordable housing and to rehabilitate Ontario's housing stock.

Convert-to-Rent

AMO supports this $18.2 million initiative which is designed to convert non-residential properties to moderately priced apartments. The Association agrees with this objective as well as the objectives of making more efficient use of existing non-residential properties and stimulating employment opportunities in the construction field and related industries. AMO believes the availability of this program within the boundaries of Metropolitan Toronto and the City of Ottawa is a good start, and looks forward to its being extended to other municipalities of varying sizes, where the vacancy rates warrant, at the earliest possible opportunity.

AMO is pleased that although the Province will be administering this program, the degree of municipal support for an application will be taken into account during the project review. AMO is also pleased that municipal approval, as indicated by a building permit, must be obtained before loans are committed. As noted, municipal support is an important element in this program, and a good deal of municipal initiative will be required regarding re-zoning and other municipal regulations. The draft Renovation Code, Part XI will also be necessary to facilitate this activity. Municipalities will want to be assured that the units being created and the entire structure will meet municipal standards.

With respect to the eligibility requirements, key elements of this program include the requirements that rental units being placed on the market will be at competitive rental rates, that up to 25% of units must be offered to the local housing authority for use under the Rent Supplement Program, and that up to 5% of units in the building should be made accessible to physically disabled persons. AMO commends this focus; however, the Association recommends that rents be negotiated at the lowest economically feasible rate in the first, and ongoing years. The affordability of rents should be a criteria in selecting projects to be funded. In addition, the Province should maintain and make available records to facilitate analysis of rents being charged for the units.

AMO is pleased that participants will be required to offer up to 25% of units to the local housing authority. However, because rent supplement units do not provide a permanent stock of affordable housing, AMO believes that the units must be subject to long term agreements. AMO requests some assurance that the units will remain as rent supplement units for the full 15 year period. The suitability of units should be determined at the application review stage. In addition, AMO is concerned about the availability of funding to enable the local housing authorities to take advantage of the rent supplement units. Unless unit allocations from the Federal Government through the Canada Mortgage and Housing Corporation for assisted housing are increased, it is unlikely that local housing authorities will be able to take up the rent supplement units. AMO would not want this program to detract from unit allocations for social housing available in municipalities which already have active social housing agencies. In order to address the issue of affordability in practical terms, and given the limited allocations, AMO suggests that affordability be addressed during rental negotiations between the Province and project owners. In this way, the program will at least be able to serve moderate income households.

With respect to the requirement that in appropriate cases, up to 5% of units in buildings should be made accessible to physically-disabled persons, AMO recommends that units destined for the disabled be properly designed for them at the initial stages. This is another factor that should be considered at the application review stage.

AMO recognizes that the requirement for projects to be located in market areas which have rental vacancy rates of 2% or less may be necessary in order to limit the program, particularly with the limited funding that has been made available. However, recognizing that a 2% vacancy rate may include expensive, but not low and moderately priced units, AMO recommends that the vacancy rates being used to determine eligibility be reflective of the moderately priced rental units being proposed under the program. AMO seeks clarification of whether CMHC surveys will be used to determine vacancy rates as municipalities do not keep this statistic.

With respect to the statement that projects receiving other government funding will generally be ineligible for the Convert-to-Rent program, AMO agrees that this limitation is appropriate for non-profit and co-operative rental housing projects. However, the Association believes that other projects receiving government funding should be considered for eligibility for the Convert-to-Rent program. Convert-to-Rent funding for a project could complement corporate sector grants under the Building Rehabilitation Improvement Campaign, for example.

A final comment on the Convert-to-Rent program is that the initial submission date of August 31, 1983 should be extended until the end of September, 1983. This would allow sufficient time for applicants to submit proposals to be judged in the first round of consideration.

Conserving Older Rental Stock

The Ministry of Municipal Affairs and Housing has allocated $5.5 million to this pilot demonstration program which is available in the cities of Toronto, Ottawa, Hamilton, and Thunder Bay. It is aimed at examining the economics of conserving existing rental units, particularly apartments serving lower-income tenants. AMO supports this initiative which will help landlords upgrade major systems, such as mechanical or electrical in older apartments to extend the life of these rental units. The Association is pleased that the need to conserve this accommodation has been recognized and points out that the need to conserve the existing stock of high-rise rental apartments will also need to be addressed.

AMO believes it is important that mechanisms be put in place in this program to protect existing tenants from displacement. There should also be a rent protection component to ensure that the units remain affordable for those housed prior to the upgrading of the building. Given the low-income focus, AMO seeks clarification of whether this program is available to upgrade hostels and rooming house accommodation built prior to 1955.

AMO recommends that this demonstration program become available in other municipalities and be expanded to accommodate the growing demand for rehabilitation in Ontario. Procedures and financial arrangements must then be worked out to the satisfaction of municipalities with respect to administration. Having reviewed the program outline there appears to be nothing controversial to warrant a pilot project approach. The Association believes the Province should continue to fund the Ontario Home Renewal Program (OHRP). The objectives of the demonstration program appear to be consistent, and the two programs should be complementary.

Adding Rental Units to Existing Housing

AMO is pleased that the Province has launched this $1.2 million experimental pilot program in the Cities of Toronto, Ottawa, Hamilton and Thunder Bay in order to test some of the recommendations arising from the study of residential intensification and rental housing conservation. This study examined opportunities associated with using the existing housing stock more intensively to help meet future housing demands.[1]

AMO notes that applications must be made to the municipality in which the single family dwelling is located, and believes that this will give municipalities the opportunity to determine whether certain proposals are appropriate, and whether existing municipal services will be able to accommodate an increased population. The Association seeks clarification of what is meant by a "single family dwelling" and questions the program's being restricted to adding units in this type of housing only. In addition, the Association seeks clarification of whether funding will be available for work that needs to be done on common elements of the single family dwelling, such as roofs, old wiring, and old plumbing, when the additional unit is being created.

Conclusion

AMO supports the rental housing initiatives as announced by the Province. Although they are limited in scope they do reflect an attempt to find innovative ways to provide additional moderately priced housing. Nevertheless, additional funding and programs along traditional lines will have to be made available to satisfy the demand for affordable housing and rehabilitation in Ontario.

One suggestion that AMO would like to make for all the programs is regarding the loan details. In order to protect its investment, the Province should ensure that mortgages are backed by sufficient equity.

AMO looks forward to the Convert-to-Rent program and the program to conserve older rental stock being made available in all municipalities where there is a need. In addition, AMO looks forward to reviewing and commenting upon the results of the demonstration programs when these results become available.

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1 For AMO's response see Association of Municipalities of Ontario, Response to the Study of Residential Intensification and Rental Housing Conservation, Part I: Detailed Summary of Findings and Recommendations, ("AMO Reports 83-10"), May, 1983.

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